

110TH CONGRESS
1ST SESSION

H. R. 1810

To amend the Internal Revenue Code of 1986 to permit the consolidation
of life insurance companies with other companies.

IN THE HOUSE OF REPRESENTATIVES

MARCH 29, 2007

Mr. LARSON of Connecticut (for himself, Mr. RAMSTAD, Mr. McNULTY, Mr. LEWIS of Georgia, Mrs. JONES of Ohio, Mr. DAVIS of Alabama, Mr. POMEROY, Ms. SCHWARTZ, Mr. SAM JOHNSON of Texas, Mr. HULSHOF, Mr. ENGLISH of Pennsylvania, Mr. WELLER of Illinois, Mr. LEWIS of Kentucky, Mr. HERGER, and Mr. BRADY of Texas) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to permit
the consolidation of life insurance companies with other
companies.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. CONSOLIDATION OF LIFE INSURANCE COMPA-**
4 **NIES WITH OTHER COMPANIES PERMITTED.**

5 (a) IN GENERAL.—Section 1504(b) of the Internal
6 Revenue Code of 1986 (defining includible corporation) is
7 amended by striking paragraph (2) and by redesignating

1 paragraphs (3) through (8) as paragraphs (2) through
2 (7), respectively.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 1503 of the Internal Revenue Code
5 of 1986 is amended by striking subsection (c) (relat-
6 ing to special rule for application of certain losses
7 against income of insurance companies taxed under
8 section 801) and by redesignating subsections (d),
9 (e), and (f) as subsections (c), (d), and (e), respec-
10 tively.

11 (2) Section 1504 of such Code is amended by
12 striking subsection (c) and by redesignating sub-
13 sections (d), (e), and (f) as subsections (c), (d), and
14 (e), respectively.

15 (3) Section 243(b)(2)(A) of such Code is
16 amended by striking “sections 1504(b)(2),
17 1504(b)(4), and 1504(c)” and inserting “section
18 1504(b)(3)”.

19 (4) Section 805(a)(4)(E) of such Code is
20 amended by striking “1504(b)(3)” and inserting
21 “1504(b)(2)”.

22 (5) Section 818(e)(1) of such Code is amended
23 to read as follows:

24 “(1) ITEMS OF COMPANIES OTHER THAN IN-
25 SURANCE COMPANIES.—If an affiliated group in-

1 includes members which are and which are not taxed
2 under section 801, all items of the members of such
3 group which are not taxed under section 801 shall
4 not be taken into account in determining the amount
5 of the tentative LICTI of members of such group
6 which are taxed under section 801.”.

7 (6) Section 832(b)(5)(D)(ii)(II) of such Code is
8 amended by striking “1504(b)(3)” and inserting
9 “1504(b)(2)”.

10 (7) Section 864(e)(5)(A) of such Code is
11 amended by striking “paragraph (4)” and inserting
12 “paragraph (3)”.

13 (8) Section 936(i)(5)(A) of such Code is
14 amended by striking “section 1504(b)(3) or (4)”
15 and inserting “section 1504(b)(2) or (3)”.

16 (9) Section 952(c)(1)(B)(vii)(II) of such Code
17 is amended by striking “1504(b)(3)” and inserting
18 “1504(b)(2)”.

19 (10) Section 953(d)(3) of such Code is amend-
20 ed by striking “1503(d)” and inserting “1503(c)”.

21 (11) Section 954(h)(4)(F)(ii) of such Code is
22 amended by striking “1504(b)(3)” and inserting
23 “1504(b)(2)”.

1 (12) Section 6166(b)(10)(B)(ii)(V) of such
 2 Code is amended by striking “1504(b)(3)” and in-
 3 serting “1504(b)(2)”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to taxable years beginning after
 6 December 31, 2006.

7 **SEC. 2. PHASE-IN OF APPLICATION OF CERTAIN LOSSES**
 8 **AGAINST INCOME OF INSURANCE COMPA-**
 9 **NIES.**

10 (a) PHASE-IN.—

11 (1) IN GENERAL.—For taxable years beginning
 12 after December 31, 2006, and before January 1,
 13 2013, if—

14 (A) an affiliated group includes 1 or more
 15 domestic insurance companies subject to tax
 16 under section 801 of the Internal Revenue Code
 17 of 1986, and

18 (B) the consolidated taxable income of the
 19 members of the group not taxed under such
 20 section 801 results in a consolidated net oper-
 21 ating loss for such taxable year,

22 then, under regulations prescribed by the Secretary
 23 of the Treasury or his delegate, the amount of such
 24 loss which cannot be absorbed in the applicable
 25 carryback periods against the taxable income of such

1 members not taxed under such section 801 shall be
 2 taken into account in determining the consolidated
 3 taxable income of the affiliated group for such tax-
 4 able year to the extent of the applicable percentage
 5 of such loss or the applicable percentage of the tax-
 6 able income of the members taxed under such sec-
 7 tion 801, whichever is less. The unused portion of
 8 such loss shall be available as a carryover, subject to
 9 the same limitations (but determined based on the
 10 applicable percentage with respect to the year to
 11 which carried and applicable to the sum of the loss
 12 for the carryover year and the loss (or losses) car-
 13 ried over to such year), in applicable carryover
 14 years.

15 (2) APPLICABLE PERCENTAGE.—For purposes
 16 of paragraph (1), the applicable percentage shall be
 17 determined in accordance with the following table:

For taxable years beginning in:	The applicable percentage is:
2007	40
2008	50
2009	60
2010	70
2011	80
2012	90.

18 (b) NO CARRYBACK BEFORE JANUARY 1, 2007.—To
 19 the extent that a consolidated net operating loss is allowed
 20 or increased by reason of this section or the amendments
 21 made by this Act, such loss (or increase in such loss, as

1 the case may be) may not be carried back to a taxable
2 year beginning before January 1, 2007.

3 (c) NONTERMINATION OF GROUP.—No affiliated
4 group shall terminate solely as a result of this section or
5 the amendments made by this Act.

6 (d) SUBSIDIARY STOCK BASIS ADJUSTMENTS.—A
7 member corporation's basis in the stock of a subsidiary
8 corporation shall be adjusted upon consolidation to reflect
9 the preconsolidation income, gain, deduction, loss, dis-
10 tributions, and other relevant amounts during a period
11 when such corporations were members of an affiliated
12 group (determined without regard to section 1504(b)(2)
13 of the Internal Revenue Code of 1986 as in effect on the
14 day before the date of enactment of this Act) but were
15 not included in a consolidated return of such group by op-
16 eration of section 1504(c)(2)(A) of such Code (as in effect
17 on the day before the date of the enactment of this Act).

18 (e) WAIVER OF 5-YEAR WAITING PERIOD.—An auto-
19 matic waiver from the 5-year waiting period for reconsoli-
20 dation provided in section 1504(a)(3) of the Internal Rev-
21 enue Code of 1986 shall be granted to any corporation
22 which was previously an includible corporation but was
23 subsequently deemed a nonincludible corporation as a re-
24 sult of becoming a subsidiary of a corporation which was
25 not an includible corporation solely by operation of section

1 1504(c)(2) of such Code (as in effect on the day before
2 the date of enactment of this Act), subject to such condi-
3 tions as the Secretary may prescribe.

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